

February 15, 1991

COPY



UTAH ASSOCIATION OF COUNTIES

55 SOUTH STATE STREET, SUITE 300

Salt Lake City, Utah 84111

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L. Brent Gardner, Executive Director

Mark O. Walsh, Associate Director

MEMO

TO: UAC Multiline Insurance Advisory Committee
FROM: L. Brent Gardner, Executive Director
RE: Meeting With the Utah Local Governments Trust
Board of Directors

The Board of Directors of the Utah Local Governments Trust has requested a meeting with our Advisory Committee on **Thursday, February 21, at 3:30 p.m. in the Conference room at the State Retirement Office located at 540 East 200 South in Salt Lake.**

They requested to meet with all members of our Committee for the purpose of explaining their concerns over the formation of Multiline Insurance Pool within the UAC.

This date coincides with the final UAC Legislative Briefing.

Also, a reminder that at the last Advisory Committee meeting on February 7th, the Committee recommended that all members write a letter to the State Insurance Department expressing support for the creation of the UAC Mutual and requesting the Department to grant approval.

Your letters should be addressed to:

Harold C. Yancey, CPCU
Commissioner of Insurance
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Utah Local Governments Trust

TO: Trust Board Members

DATE: February 13, 1991

SUBJECT: JOINT MEETING WITH UAC MULTI-LINE INSURANCE
POOL

The special joint meeting with the Trust Board of Directors, consultants, and staff will be held Thursday, February 21, 1991, at 3:30 p.m.

The site chosen for the meeting is the Utah State Retirement Office Conference Room, at 540 East 200 South.

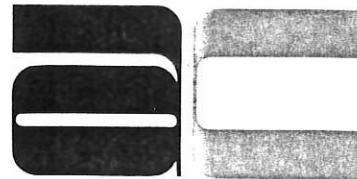
The Conference Room is located at the basement level, so you will have to use the elevator to go down one floor. After exiting the elevator, walk to the right and then follow the hall to the left until you reach The Conference Room.

If we do not hear from you prior to Tuesday, February 19, 1991, we will assume you will be in attendance.

/ndw

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Phone 364-3583
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L. Brent Gardner, Executive Director
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Mr. Harold C. Yancey, CPCU
Insurance Commissioner
State of Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Re: Application for a Certificate of Authority for the Utah
Association of Counties Insurance Mutual (UAC Mutual)

Dear Commissioner Yancey:

The purpose of this letter is to express support of the Utah Association of Counties Advisory Board for a Certificate of Authority for the UAC Mutual.

Over eighteen (18) months ago the Utah Association of Counties began a methodical procedure and timetable to objectively examine, through the Advisory Board, the long term advantages and feasibility of multiline pooling on an exclusive basis for our counties with management services provided through our Association.

To prepare ourselves for this effort we sought out professional advisors who had proven knowledge and experience in the evaluation and implementation of all of the necessary elements in pooling.

Through public announcements and RFP's, numerous candidates were invited to present their credentials and proposals before our final selection was made. Local interests and existing pools were invited on several occasions and presented their case before the full Advisory Board.

Our intent was to be scrupulous in giving all interested parties the opportunity to present legitimate input to the Advisory Board before proceeding to the next step in the pooling evaluation and formation decisions.

Today, after these many months of intense studies, we believe that the long term interests of our counties and citizens would be best served by pooling as proposed in the filing of the proposed UAC Mutual. These proven systems and this organizational structure have been operating with its numerous benefits in many states under a variety of regulatory authorities.

Many insurance industry insiders are predicting that 1991 will be the year that crests the end of the soft market and a return to a hard sellers market. Those times are characterized by non-renewals, cancellations, coverage reductions and availability as well as potentially significant price increases. We do not want to find ourselves motivated by this climate of change which could impair a well thought out and deliberate action plan.

County exposures are becoming extremely complex to manage with critical elements which must be under the management control of county commissioners if we are to expect superior results. At times, we were denied the use of critical data and cooperation which we had anticipated would have been readily available.

Among the goals we have set for the UAC Mutual, which we are convinced can be achieved, are the following:

LOSS INFORMATION

1. Provide member county decision-makers monthly or quarterly loss information for all lines of coverage.
2. Ensure that loss information is broken down by county department, source of loss and type of loss (i.e. sheriff's department, road and bridge, etc.).
3. Produce regular management information for all of the counties' loss information as a group and individually by loss codes, etc. for peer review purposes.
4. Ensure the information system of the UAC Mutual contains complete loss information and that it is coded properly for counties.
5. Ensure that the loss information system of the UAC Mutual is properly coded for each year of operation.

LOSS CONTROL

1. Provide loss control for all areas of significant county risk.
2. Provide annual loss control reports.
3. Provide supervisory training.
4. Perform regular safety audits. Assure that they are reviewed by individual county boards of commissions.

5. Provide specialized loss control with a structured followup system for completing safety recommendations. (i.e. sheriffs/jails)

6. Establish resource library for safety information (i.e. books, tapes, videos) with a systematic plan for material distribution.

COST ALLOCATION

1. Ensure that costs are fairly allocated among participating counties.

2. Have such costs established by the governing board of the Mutual which will be composed of representatives of participating counties.

3. Establish assessment formulas for each member for losses that could accrue to the excess insurance providers.

4. Be prepared to identify the equity position for each county by year and by line of coverage.

5. Identify who has the authority to distribute equity or charge costs.

6. Understand the risks associated with the excess insurance and be prepared to address those risks.

CONTRACTS

1. Issue policies for every county member for every year that they are a member of the Mutual.

2. Ensure that all terms of the Mutual policies are concurrent with the excess insurance policy for each year of the Mutual.

3. Provide automatic coverage for auto/real and personal property.

4. Provide excess insurance that is concurrent with pool coverages for every year of the pool.

5. Ensure that Mutual reinsurers or excess insurers are authorized and/or approved to do business in Utah.

6. Ensure that all the claims-made provisions of the excess insurers or reinsurers are correctly integrated with the current contracts.

7. Ensure that the financial rating of the reinsurers or excess insurers is sound.

ORGANIZATIONAL

1. Establish an organizational chart for the Mutual and a clear chain of command.

2. Provide each county member with a certified copy of the bylaws for the Mutual.

We are concerned that all of these goals are not being met by the current providers of insurance for Utah counties. We believe our proposed Mutual can achieve these goals.

Significant dollars and hours have been invested by the advisory board, independent consultants, attorneys, brokers and actuaries addressing the operations of the proposed Mutual well in advance of its formation and in addition to your own regulatory process in order to achieve these goals and bring appropriate management control to the hands of the Utah county commissioners.

Competitors of the proposed Mutual appear to be taking extreme measures to defeat the formation of the Mutual. Your office and staff, however, have been professional in your consideration of the application of the proposed Mutual. We pledge our efforts to continue to address legitimate concerns of your office in a prompt, responsible, and professional fashion.

We further pledge to continue to work with your office based on fact, merit and in good faith dealing solely with the objective issues.

Sincerely,

Thomas V. Hatch, Chairman
UAC Advisory Board/Garfield County Commissioner

Scott Hirschi, Vice Chairman/Washington County Commissioner

L. Brent Gardner, Executive Director
Utah Association of Counties

And also on behalf of the UAC Advisory Board as follows:

Seth Allen, Member/Cache County Executive
Robert L. Gardner, Member/Iron County Commissioner
Pete Coleman, Member/Wasatch County Commissioner
Max Adams, Member/Uintah County Commissioner
Gayle A. Stevenson, Member/Davis County Commissioner
Leonard Blackham, Member/Sanpete County Commissioner
Clinton Peatross, Member/Duchesne County Commissioner
Clyde Thompson, Member/Emery County Commissioner
Kenneth Brown, Member/Rich County Commissioner
Ty Lewis, Member/San Juan County Commissioner
Frank Nishiguchi, Member/Box Elder County Commissioner
Gary Sullivan, Member/Beaver County Commissioner
Leland Hogan, Member/Tooele County Commissioner
Glenn Martin, Member/Kane County Commissioner

cc:UAC Boards of County Commissioners
Randy Smart, Deputy Commissioner of Insurance

